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**JULIA A. HILTON**  
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March 14, 2014

**VIA HAND DELIVERY**

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
Boise, Idaho 83702

Re: Case No. IPC-E-14-04  
2013 Demand-Side Management Expenses – Idaho Power Company's  
Application and Testimony

Dear Ms. Jewell:

Enclosed for filing in the above matter please find an original and seven (7) copies of Idaho Power Company's Application.

Also enclosed for filing are nine (9) copies of the testimony of Darlene Nemnich. One copy of Ms. Nemnich's testimony has been designated as the "Reporter's Copy." In addition, a disk containing a Word version of Ms. Nemnich's testimony is enclosed for the Reporter.

If you have any questions about the enclosed documents, please do not hesitate to contact me.

Very truly yours,



Julia A. Hilton

JAH:csb  
Enclosures

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF IDAHO POWER COMPANY FOR A	)	CASE NO. IPC-E-14-04
DETERMINATION OF 2013 DEMAND-	)	
SIDE MANAGEMENT ("DSM") EXPENSES	)	APPLICATION
AS PRUDENTLY INCURRED.	)	
	)	

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In accordance with RP 052 and RP 201, *et seq.*, Idaho Power Company ("Idaho Power" or "Company") hereby respectfully submits its *Demand-Side Management 2013 Annual Report* ("DSM 2013 Annual Report") and makes application to the Idaho Public Utilities Commission ("Commission") for an order designating Idaho Power's expenditures of \$21,748,331 in Idaho Energy Efficiency Rider ("Rider") funds and \$4,203,155 of demand response ("DR") program incentives included in the 2014 Power Cost Adjustment ("PCA"), for a total of \$25,951,486, as prudently incurred demand-side management ("DSM") expenses.

In support of this Application, Idaho Power represents as follows:

## **I. INTRODUCTION**

1. The Commission has “consistently stated that cost-effective DSM programs are in the public interest and has admonished electric utilities operating in the State of Idaho to develop and implement DSM programs in order to promote energy efficiency.” Case No. IPC-E-10-09, Order No. 32113 at 8, *citing* Order Nos. 29784 and 29952. To further the Commission’s objective, Idaho Power implements and manages a wide range of opportunities for its customers to participate in DSM activities, to be informed about energy use, and to use electricity wisely. Through DSM programs, Idaho Power seeks to provide customers with programs and information to help them manage their energy usage and to achieve prudent cost-effective DSM resources to meet the Company’s electrical system’s energy and demand needs.

2. To assist with the development of DSM activities, Idaho Power consults with its Energy Efficiency Advisory Group (“EEAG”). The 14 members of the EEAG represent a cross section of customers from the residential, industrial, commercial, and irrigation sectors, as well as staff members of the public utility commissions of Idaho and Oregon, Idaho Power, and other stakeholders. The EEAG meets on a regular basis and provides a broad range of recommendations, including input on new program proposals, modifications to existing programs, and overall expenditures of DSM funds. In addition to the EEAG, Idaho Power works to build and maintain relationships with trade allies, trade organizations, and regional groups involved in DSM activities.

3. In 2013, J.D. Power and Associates’ *2013 Electric Utility Business Customer Satisfaction Study* reported that 55 percent of the business customer respondents in the study are aware of Idaho Power’s energy efficiency programs, and

those customers are more satisfied with Idaho Power than customers who are unaware of the programs. DSM 2013 Annual Report at 18. Idaho Power's quarterly customer relationship surveys in 2013 indicate that the percentage of customers who have a positive perception of Idaho Power's energy efficiency efforts decreased slightly in the past year, from 60 percent at the end of 2012 to 57 percent in late 2013. DSM 2013 Annual Report at 19.

## **II. THE DSM 2013 ANNUAL REPORT**

4. In support of this Application requesting the Commission deem the Company's total 2013 DSM expenses as prudently incurred, Idaho Power presents its DSM 2013 Annual Report as Attachment 1 to this Application.

5. The DSM 2013 Annual Report is submitted pursuant to the DSM reporting obligation set forth in Order No. 29419 and in accordance with agreed-upon guidelines set forth in the Memorandum of Understanding for Prudency Determination of DSM Expenditures ("DSM MOU") submitted as part of the stipulation approved by Order No. 31039. Idaho Power used previous DSM annual report formats as a guide for its DSM 2013 Annual Report. Two Supplements accompany the DSM 2013 Annual Report: *Supplement 1: Cost-Effectiveness* ("Supplement 1") and *Supplement 2: Evaluation* ("Supplement 2").

6. As in previous years, the DSM 2013 Annual Report contains a table of contents, introduction, cost-effectiveness, and evaluation sections. It also includes a section describing each program or initiative in detail, as well as a section describing other programs and activities that are not tied to direct energy savings. The DSM 2013 Annual Report uses the benefit/cost analyses used in previous DSM annual reports,

including the total resource cost test ("TRC") perspective, the utility cost test ("UCT") perspective, the participant cost test ("PCT") perspective, and the ratepayer impact measure ("RIM").

### **III. 2013 DSM ENERGY SAVINGS AND EXPENDITURES**

7. In 2013, Idaho Power offered its customers 18 energy efficiency programs, one active demand response program, several educational initiatives, and savings to customers through market transformation programs. Overall, annual energy savings from Idaho Power's energy efficiency activities in 2013 totaled 107,284 megawatt-hours ("MWh"), which includes 18,346 MWh (preliminary estimate) stemming from the Company's participation with Northwest Energy Efficiency Alliance. DSM 2013 Annual Report at 4 and 144.

8. As explained in more detail in the Direct Testimony of Darlene Nemnich ("Nemnich Testimony") filed contemporaneously with this Application, the Company's overall energy savings is down this year. Nemnich Testimony at 10. The DSM 2013 Annual Report explains that this reduction in energy savings in 2013 is due, in part, to Idaho Power and the region's increased evaluation, measurement, and verification activities. DSM 2013 Annual Report at 1. Timing of Custom Efficiency program payments and fluctuations in the commercial/industrial programs also impacted results for 2013. Nemnich Testimony at 10; DSM 2013 Annual Report at 10, 20, and 86.

9. Correspondingly, Idaho Power's expenditures on DSM-related activities decreased in 2013, in large part due the temporary suspension of two demand response programs. DSM 2013 Annual Report at 6. In 2013, the Company's total system-wide expenditures on DSM-related activities totaled \$26,841,379. DSM 2013

Annual Report, Appendix 2. The \$26,841,379 of system-wide, DSM-related expenses in 2013 includes expenditures for customers in Oregon and other operations and maintenance expenses that are not before the Commission as part of this prudence request. In this filing, Idaho Power seeks a determination that a total of \$25,951,486 expenditures were prudently incurred in 2013 (\$21,748,331 in Rider expenses and \$4,203,155 in DR program expenses included in the 2014 PCA). A summary of program expenditures by funding source in 2013 is provided in the Nemnich Testimony, Exhibit No. 1.

10. The Nemnich Testimony describes several adjustments to the total dollar amounts contained in the DSM 2013 Annual Report to arrive at the expenses the Company presents to the Commission for a determination of prudence. Nemnich Testimony at 14-23. The Company requests that the Commission reflect the following adjustments in its records:

a. Custom Efficiency Transfer. In Order No. 32826, the Commission approved the transfer of \$14,200,174 in customer efficiency incentive payments to the Rider account. Of this amount, \$13,037,493 was previously deemed prudent in Order Nos. 32667 and 32953 and therefore is not included in this prudence request. The \$1,162,681 remainder includes Custom Efficiency program incentive payments made from January 1, 2013, through May 31, 2013, with accrued interest. The \$1,162,681 is included in this request for a determination that 2013 DSM expenses were prudently incurred. Nemnich Testimony at 17.

b. Rider-Funded Labor-Related Expenses. The Commission declined to decide the reasonableness of increases in the Company's Rider-funded labor-related

expenses for 2011 and 2012. Order Nos. 32667, 32690, and 32953. Due to these Commission decisions, Idaho Power has excluded from this filing its 2013 increase in Rider-funded labor-related expenses amounting to \$269,432. Nemnich Testimony at 17-21.

c. A/C Cool Credit Switch Expenses. In 2012, Idaho Power incurred \$32,090 in costs to install A/C Cool Credit switches after Idaho Power issued a letter to its vendor directing it to halt installation. Idaho Power set aside such amounts in its request for the Commission's prudence review of 2012 DSM expenses. Because the A/C Cool Credit program will be operational for the 2014 program season and the switches will now add value to the program, Idaho Power is including these expenses in this request for a determination that expenses were prudently incurred. Nemnich Testimony at 21.

d. Prior Year-End Adjustments. In 2012, Idaho Power removed \$21,952 from its prudence request. This amount was removed from the Rider in 2013. It is necessary to add this amount to this prudence request in order to avoid a double removal of the \$21,952. Nemnich Testimony at 21.

e. Current Year-End Adjustments. The current year-end adjustments reflect an accounting entry to correct \$248 of Idaho expenses associated with the Home Energy Audit program which were initially charged to the Oregon Rider account in error. Nemnich Testimony at 23. Idaho Power transferred this amount to the Idaho Rider and has included it for the Commission's review of whether such funds were prudently incurred.



11. The DSM 2013 Annual Report and accompanying Nemnich Testimony provide a sufficient basis for the Commission to determine whether Idaho Power's DSM expenses were prudently incurred. In order to meet Commission Staff's expectations for assessing cost-effectiveness tests, methods, and evaluations as indicated in Attachment No. 1 to the DSM MOU, Idaho Power included:

a. Cost-Effectiveness Measurements. In the DSM 2013 Annual Report, Idaho Power calculates cost-effectiveness from the RIM, PCT, UCT, and TRC perspectives at the program level, except for those programs with no customer costs, in which case the PCT is not applicable. This includes DR and limited-income weatherization programs which are evaluated at the UCT and TRC perspectives. Idaho Power also evaluates cost-effectiveness using the UCT and TRC tests for each measure within a program where the measures are not interactive. The DSM 2013 Annual Report, Supplement 1 includes detailed results of the cost-effectiveness tests by program and by measure. The DSM 2013 Annual Report, Appendix 4 shows the historical UCT and TRC results for each of Idaho Power's active DR and energy efficiency programs from a program-life perspective.

Results show that of the 15 energy efficiency programs for which the Company claims savings in 2013, 11 programs had benefit/cost ratios greater than 1.0 for both the TRC and UCT. Nemnich Testimony at 25. Two programs had benefit/cost ratios less than 1.0 for the TRC but greater than 1.0 for the UCT, two programs had benefit/cost ratios less than 1.0 for both the TRC and UCT, and one program had a benefit/cost ratio of less than 1.0 for the PCT. *Id.* An explanation of the cost-effectiveness analyses and steps Idaho Power has taken to increase future cost-



effectiveness of these programs is provided in the Nemnich Testimony on pages 24-35. The cost-effectiveness calculation for the FlexPeak Management program shows benefit/cost ratios greater than 1.0 from the TRC and the UCT perspective when evaluated from a five-year life-cycle perspective; cost/benefit analyses were not performed on the A/C Cool Credit and Irrigation Peak Rewards programs because they were suspended in 2013. *Id.*

b. Net-to-Gross Adjustments. For the DSM 2013 Annual Report, Idaho Power used these ratios as an input to cost-effectiveness calculations where appropriate. DSM 2013 Annual Report, Supplement 1 at 3-4.

c. Program Evaluations. Independent, third-party consultants are used to provide impact and process evaluations to verify that program specifications are met, provide viable recommendations for program improvement, and validate energy savings achieved through Idaho Power's programs. In 2013, these independent, third-party consultants conducted process evaluations on six programs and an impact evaluation on one program. Nemnich Testimony at 36. In addition, Idaho Power conducted its annual internal analysis and reports for the Flex Peak Management and the Irrigation Peak Rewards programs. Copies of these reports can be found in the DSM 2013 Annual Report, Supplement 2.

#### **IV. MODIFIED PROCEDURE**

12. Idaho Power believes that a technical hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure; i.e., by written submissions rather than by hearing. RP 201, *et seq.* Idaho Power has, however, contemporaneously filed the Nemnich Testimony in

support of this Application. The Company stands ready to present the testimony in support of this Application in a technical hearing if the Commission determines such a hearing is required.

#### **V. COMMUNICATIONS AND SERVICE OF PLEADINGS**

13. Communications and service of pleadings with reference to this Application should be sent to the following:

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#### **VI. REQUEST FOR RELIEF**

14. As described in greater detail above, Idaho Power respectfully requests that the Commission issue an order designating Idaho Power's 2013 DSM expenses of \$25,951,486 as prudently incurred.

DATED at Boise, Idaho, this 14<sup>th</sup> day of March 2014.

  
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JULIA A. HILTON  
Attorney for Idaho Power Company

**BEFORE THE**  
**IDAHO PUBLIC UTILITIES COMMISSION**  
**CASE NO. IPC-E-14-04**

**IDAHO POWER COMPANY**

**ATTACHMENT 1**

***DEMAND-SIDE MANAGEMENT***  
***2013 ANNUAL REPORT***